

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02 STR-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7878

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 01649

E.O. 11652: XGDS-1

TAGS: EFW, EEC, UK

SUBJECT: EC RENEGOTIATION -- UK REACTION TO THE
COMMISSION PAPER ON THE BUDGET

REF: (A) LONDON 1416, (B) EC BRUSSELS 905

1. DAVID COLVIN (EUROPEAN INTEQRATION DEPARTMENT,
FCO) HAS GIVEN US THE INITIAL BRITISH REACTION TO THE
COMMISSION PAPER ON THE EC BUDQET (REF B).

2. THE GENERAL SHAPE OF THE MECHANISM PROPOSED BY
THE COMMISSION, COLVIN SAID, IS "PRETTY CLOSE" TO
WHAT THE UK HAS BEEN ASKINO FOR (SEE REF A). THE
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BRITISH ARE PARTICULARLY PLEASED THAT THE COMMISSION

HAS ACCEPTED THE BASIC PRINCIPLE THAT BUDGETARY REIMBURSEMENTS CAN BE MADE TO MEMBER STATES WHOSE SHARE OF CONTRIBUTIONS IS UNFAIR. THE DISCUSSION CAN NOW PROCEED ON THE DETAILS OF IMPLEMENTING THIS PRINCIPLE.

3. THE BRITISH CONSIDER THAT CERTAIN DETAILS IN THE COMMISSION'S PAPER NEED TO BE IMPROVED. FOR EXAMPLE, THEY SEE NO RATIONALE FOR THE CONDITION THAT A MEMBER STATE MUST HAVE A CURRENT ACCOUNT DEFICIT TO QUALIFY FOR REIMBURSEMENT. THEY ALSO CONSIDER IT ARBITRARY TO LIMIT THE CORRECTIVE MECHANISM TO TWO THIRDS OF THE TOTAL DISPARITY BETWEEN THE SHARE OF THE BUDGET CONTRIBUTIONS AND THE SHARE OF TOTAL COMMUNITY GNP.

4. IN GENERAL, HOWEVER, THE BRITISH CONSIDER THE COMMISSION PAPER TO BE A GOOD BASIS FOR FURTHER DISCUSSION. ACCORDING TO COLVIN, EARLIER DRAFTS INCLUDED MUCH MORE STRINGENT CONDITIONS FOR REIMBURSEMENT THAN THE FINAL VERSION. THE BRITISH WOULD LIKE TO SEE THE EC COUNCIL DISPOSE OF THE EC BUDGET ISSUE AT ITS MEETING ON MARCH 3-4, BUT THEY EXPECT THAT FINAL AGREEMENT WILL PROBABLY NOT BE REACHED UNTIL THE DUBLIN SUMMIT.

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